

**REPORT OF THE AUDIT OF THE
TRIMBLE COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2003**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE TRIMBLE COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2003**

The Auditor of Public Accounts has completed the Trimble County Fiscal Court audit for fiscal year ended June 30, 2003. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

Financial Condition:

Fund balances increased by \$154,839 from the beginning of the year, resulting in a cash surplus of \$ 3,088,128 as of June 30, 2003.

Debt Obligations:

Capital lease principal agreements totaled \$691,606 as of June 30, 2003. Future principal and interest payments of \$819,567 are needed to meet these obligations.

Deposits:

The fiscal court's deposits were insured and collateralized by bank securities or bonds.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Ernie Fletcher, Governor

Robbie Rudolph, Secretary

Finance and Administration Cabinet

Honorable Randy Stevens, Trimble County Judge/Executive

Members of the Trimble County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and equity balances arising from cash transactions of Trimble County, Kentucky, as of June 30, 2003, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Trimble County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Trimble County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The modified cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances as of June 30, 2003, of Trimble County, Kentucky, and the revenues received and expenditures paid for the year then ended, in conformity with the modified cash basis of accounting.



To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Randy Stevens, Trimble County Judge/Executive
Members of the Trimble County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated April 20, 2004 on our consideration of Trimble County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Trimble County, Kentucky. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
April 20, 2004

TRIMBLE COUNTY OFFICIALS

For The Fiscal Year Ended June 30, 2003

Fiscal Court Members:

| | |
|-------------------|------------------------|
| Randy K. Stevens | County Judge/Executive |
| Kirby Melvin | Magistrate |
| Stephen L. Stark | Magistrate |
| Forrest Burkhardt | Magistrate |
| Norvel Barnes | Magistrate |

Other Elected Officials:

| | |
|-------------------|----------------------------------|
| Perry Arnold | County Attorney |
| Bobby Temple | Jailer |
| Jerry L. Powell | County Clerk |
| June Ginn | Circuit Court Clerk |
| Tim Coons | Sheriff |
| Glen Perkinson | Property Valuation Administrator |
| William Randsdell | Coroner |

Appointed Personnel:

| | |
|--------------|------------------|
| Regina Rand | County Treasurer |
| Jane Staples | Finance Officer |

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STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY BALANCES ARISING FROM CASH TRANSACTIONS

TRIMBLE COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 2003

Governmental
Fund Type

General

Assets and Other Resources

Assets

Cash and Cash Equivalents \$ 3,090,472

Total Assets \$ 3,090,472

Other Resources

Amounts to Be Provided
in Future Years for:

 Capital Lease \$ 691,606

Total Other Resources \$ 691,606

Total Assets and Other Resources \$ 3,782,078

Liabilities and Equity

Liabilities

Capital Lease \$ 691,606

Total Liabilities \$ 691,606

Equity

Fund Balances:

 Reserved \$ 23

 Unreserved 3,090,449

Total Equity \$ 3,090,472

Total Liabilities and Equity \$ 3,782,078

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

TRIMBLE COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

For The Fiscal Year Ended June 30, 2003

| | General Fund Type | | | |
|--|--------------------------|--------------------------|------------------------|---|
| | General Fund | Road and Bridge Fund | Jail Fund | Local Government Economic Assistance Fund |
| <u>Cash Receipts</u> | | | | |
| Schedule of Operating Revenue | \$ 1,508,247 | \$ 712,769 | \$ 29,193 | \$ 3,495 |
| Other Financing Sources: | | | | |
| Transfers In | 100,000 | 40,000 | 204,858 | 37,212 |
| Total Cash Receipts | <u>\$ 1,608,247</u> | <u>\$ 752,769</u> | <u>\$ 234,051</u> | <u>\$ 40,707</u> |
| <u>Cash Disbursements</u> | | | | |
| Comparative Schedule of Final Budget and Budgeted Expenditures | \$ 1,443,442 | \$ 457,863 | \$ 231,650 | \$ 40,346 |
| Other Financing Uses: | | | | |
| Transfers Out | 282,070 | | | |
| Capital Lease Principal | 65,094 | | | |
| Total Cash Disbursements | <u>\$ 1,790,606</u> | <u>\$ 457,863</u> | <u>\$ 231,650</u> | <u>\$ 40,346</u> |
| Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements | \$ (182,359) | \$ 294,906 | \$ 2,401 | \$ 361 |
| Cash Balance - July 1, 2002 | <u>557,377</u> | <u>337,269</u> | <u>19</u> | <u>(25)</u> |
| Cash Balance - June 30, 2003 | <u><u>\$ 375,018</u></u> | <u><u>\$ 632,175</u></u> | <u><u>\$ 2,420</u></u> | <u><u>\$ 336</u></u> |

The accompanying notes are an integral part of the financial statements.

TRIMBLE COUNTY
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
For The Fiscal Year Ended June 30, 2003
(Continued)

| <u>General Fund Type</u> | | |
|-----------------------------|-----------------------------|---|
| <u>License Fee Fund</u> | <u>Child Abuse Fund</u> | <u>Totals (Memorandum Only)</u> |
| \$ 139,530 | \$ | \$ 2,393,234 |
| | | 382,070 |
| <u>\$ 139,530</u> | <u>\$ 0</u> | <u>\$ 2,775,304</u> |
| | | |
| \$ | \$ | \$ 2,173,301 |
| 100,000 | | 382,070 |
| | | 65,094 |
| <u>\$ 100,000</u> | <u>\$ 0</u> | <u>\$ 2,620,465</u> |
| | | |
| \$ 39,530 | \$ | \$ 154,839 |
| 2,038,626 | 23 | 2,933,289 |
| <u>\$ 2,078,156</u> | <u>\$ 23</u> | <u>\$ 3,088,128</u> |

The accompanying notes are an integral part of the financial statements.

TRIMBLE COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2003

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Trimble County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the application of the criteria stated in GASB 14, there are no component units which merit consideration as part of the reporting entity.

Additional - Trimble County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Trimble County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Trimble County Fiscal Court's fund types, a definition of each, and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Trimble County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, Local Government Economic Assistance Fund, License Fee Fund, and the Child Abuse Fund.

TRIMBLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Long-term receivables, long-term obligations and amounts to be provided in future years to retire debt are recorded in the financial statements. The amount to be provided in future years to retire debt is offset by any cash or cash equivalents held by the county in a bond or debt service fund.

The State Local Finance Officer does not require the county to maintain a general fixed assets group of accounts; therefore the value of the county's fixed assets are not included in the financial statements. These fixed assets include buildings, equipment and land that are owned by the county.

D. Legal Compliance - Budget

The Trimble County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk, investments exclude certificates of deposit.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

TRIMBLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.34 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 16.28 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits and Investments

Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2003, the county's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bond which named the county as beneficiary/obligee on the bond.

TRIMBLE COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2003
 (Continued)

Note 4. Capital Leases

A. Bedford Fire Truck

On December 31, 1998, the fiscal court entered into a lease agreement with the Kentucky Area Development Districts Financing Trust to borrow \$148,000 at 4.96 percent for the purchase of a fire truck for the Bedford Fire Department. The county is making semi-annual payments of varying amounts over a 10-year period in accordance with the contract. Principal lease payment requirements and scheduled interest for the remaining term of the contract are as follows:

| Fiscal Year Ended June 30 | Scheduled Interest | Scheduled Principal |
|------------------------------|-----------------------|------------------------|
| 2004 | \$ 4,424 | \$ 14,600 |
| 2005 | 3,690 | 15,300 |
| 2006 | 2,924 | 16,000 |
| 2007 | 2,120 | 16,800 |
| 2008 | 1,275 | 17,800 |
| 2009 | 382 | 12,300 |
| Totals | <u>\$ 14,815</u> | <u>\$ 92,800</u> |

B. Courthouse Renovation

On May 22, 2002, the fiscal court entered into a lease agreement the Kentucky Association of Counties Leasing Trust to borrow \$650,000 at a variable interest rate for the renovation of the Trimble County Courthouse. The county will make monthly payments of varying amounts for 10 years in accordance with the contract. Principal lease payment requirements and scheduled interest for the remaining term of the contract are as follows:

| Fiscal Year Ended June 30 | Scheduled Interest | Scheduled Principal |
|------------------------------|-----------------------|------------------------|
| 2004 | \$ 24,283 | \$ 62,499 |
| 2005 | 20,016 | 59,675 |
| 2006 | 17,634 | 61,643 |
| 2007 | 15,175 | 63,677 |
| 2008 | 12,633 | 65,777 |
| 2009-2012 | 23,405 | 285,535 |
| Totals | <u>\$ 113,146</u> | <u>\$ 598,806</u> |

TRIMBLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 5. Insurance

For the fiscal year ended June 30, 2003, Trimble County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

TRIMBLE COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

For The Fiscal Year Ended June 30, 2003

| <u>Budgeted Funds</u> | <u>Budgeted Operating Revenue</u> | <u>Actual Operating Revenue</u> | <u>Over (Under) Budget</u> |
|---|---|---|------------------------------------|
| <u>General Fund Type</u> | | | |
| General Fund | \$ 1,561,619 | \$ 1,508,247 | \$ (53,372) |
| Road and Bridge Fund | 647,494 | 712,769 | 65,275 |
| Jail Fund | 30,045 | 29,193 | (852) |
| Local Government Economic Assistance Fund | 5,025 | 3,495 | (1,530) |
| License Fee Fund | 168,600 | 139,530 | (29,070) |
| Totals | <u>\$ 2,412,783</u> | <u>\$ 2,393,234</u> | <u>\$ (19,549)</u> |

Reconciliation

| | |
|--|---------------------|
| Total Budgeted Operating Revenue Above | \$ 2,412,783 |
| Add: Budgeted Prior Year Surplus | 291,981 |
| Financing Sources | 650,000 |
| Less: Other Financing Uses | <u>(65,094)</u> |
| Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures | <u>\$ 3,289,670</u> |

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SCHEDULE OF OPERATING REVENUE

TRIMBLE COUNTY
SCHEDULE OF OPERATING REVENUE

For The Fiscal Year Ended June 30, 2003

| <u>Revenue Categories</u> | <u>General Fund Type</u> |
|----------------------------|------------------------------|
| Taxes | \$ 306,486 |
| Excess Fees | 17,238 |
| Licenses and Permits | 887,375 |
| Intergovernmental Revenues | 847,382 |
| Charges for Services | 90,723 |
| Miscellaneous Revenues | 145,884 |
| Interest Earned | <u>98,146</u> |
| Total Operating Revenue | <u><u>\$ 2,393,234</u></u> |

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COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

TRIMBLE COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

For The Fiscal Year Ended June 30, 2003

| Expenditure Categories | GENERAL FUND TYPE | | |
|--|---------------------|--------------------------|---------------------------|
| | Final Budget | Budgeted Expenditures | Under (Over) Budget |
| General Government | \$ 382,922 | \$ 354,283 | \$ 28,639 |
| Protection to Persons and Property | 852,480 | 687,663 | 164,817 |
| General Health and Sanitation | 174,120 | 125,729 | 48,391 |
| Social Services | 8,560 | 4,902 | 3,658 |
| Recreation and Culture | 39,950 | 36,845 | 3,105 |
| Roads | 696,076 | 399,907 | 296,169 |
| Debt Service | 66,540 | 44,194 | 22,346 |
| Capital Projects | 27,216 | 25,374 | 1,842 |
| Administration | 1,041,806 | 494,404 | 547,402 |
| Total Operating Budget - General Fund Type | \$ 3,289,670 | \$ 2,173,301 | \$ 1,116,369 |
| Other Financing Uses: | | | |
| Capital Lease Agreement- Principal on Lease | 65,094 | 65,094 | |
| TOTAL BUDGET - GENERAL FUND TYPE | <u>\$ 3,354,764</u> | <u>\$ 2,238,395</u> | <u>\$ 1,116,369</u> |

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Randy Stevens, Trimble County Judge/Executive
Members of the Trimble County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Trimble County, Kentucky, as of and for the year ended June 30, 2003, and have issued our report thereon dated April 20, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Trimble County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Trimble County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.



Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
April 20, 2004

CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

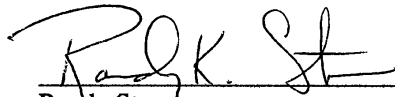
TRIMBLE COUNTY FISCAL COURT

For The Fiscal Year Ended
June 30, 2003

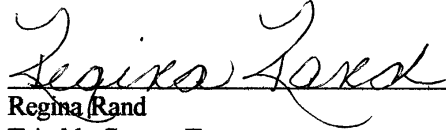
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAMS
TRIMBLE COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2003

The Trimble County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Randy Stevens
Trimble County Judge/Executive



Regina Rand
Trimble County Treasurer

